



Assembly Democrats Pass \$13.4 Billion Bond Measure

Republican proposal given short shrift as “transfer of wealth from consumers to businesses”

Calling it “the only way for the state to stay afloat,” Democratic lawmakers authorized up to \$13.4 billion in revenue bonds for state power buys.

The state Assembly approved the measure 49-29, enough to forward it to the state Senate, but not the two-thirds needed for the measure to go into effect immediately.

“Our objective is to start the clock running so the state is not caught without any funds,” said Assembly Speaker Robert Hertzberg, D-Van Nuys.

There’s concern, however, that the delay could endanger a \$4.1 billion bridge loan that would replenish the state general fund in time for budget debates in June.

Since January, DWR has bought power for customers of three cash-strapped utilities. The money will be repaid by the \$13.4 billion in revenue bonds expected to be issued in June. The bonds will be repaid over 15 years by customers of SDG&E, SCE and PG&E.

Assembly Republicans said the state should spend its \$5 billion budget surplus on energy and issue bonds for the remaining \$8 billion.

But during the nearly three-hour debate, as blackouts rolled through northern and southern parts of the state, Democrats said that would cut into services.

Democrats also charged that, by shifting the cost of providing energy from electricity consumers – two-thirds of which is drained by large commercial users – to the general fund, over 70 percent of which is provided by California families – the Republican plan would be a massive transfer of wealth to big business at the expense of residential consumers. “It’s a typical Republican scheme, which would have benefited the very users who led us down the path of deregulation,” a highly placed Democratic source stated.

“It’s our responsibility today to keep the government running,” said Assemblyman Dennis Cardoza, D-Atwater.

Hertzberg, Burton Announce Suit Against FERC

Senate President pro Temp John Burton (D-San Francisco) and Assembly Speaker Robert M. Hertzberg (D-Van Nuys) today announced that the California State Legislature will file a lawsuit against the Federal Energy Regulatory Commission (FERC) for refusing to prevent price-gouging by power generators.

“FERC has pulled the biggest abdication since the Duke of Windsor,” Burton said. “Energy prices are unjust and unreasonable, and as a result Californians have suffered harm and badly needed state programs affecting schools, roads and public safety are in jeopardy.”

“The law is clear – and it’s just as clear that FERC is ignoring it,” Speaker Hertzberg said. “It’s regrettable that we have to resort to a lawsuit to force this agency to do what the law requires – ensure just and reasonable rates for electricity in California and nationwide.”

The suit, which will be brought jointly by the Assembly and Senate, will contend that FERC has abdicated its responsibility to assure that power generators charge just and reasonable rates for electricity as required under the Federal Power Act (16 USC 824 et seq).

The court action will seek to require FERC to prospectively limit the prices charged by generators. It will also call for establishing a refund program to recover excess profits generators have received due to the Commission’s inaction.

In a report last December, FERC acknowledged that flaws in the wholesale power market were allowing unjust and unreasonable prices to be charged for power in California. The Commission has to date ordered only very limited refunds and moved to impose minimal price controls only when blackouts are imminent. As a result, wholesale power costs in California have risen more than 10-fold in the last 18 months, placing the financial health of the state in jeopardy and the economy of California and the nation at risk.

The Legislature will retain the nationally-recognized firm of Cotchett, Pitre & Simon to act as special counsel for the suit, which will be filed later this month in federal court.

GOP Members Fret About Cheney’s Task Force

As the White House prepares to unveil its national energy policy next week, House GOP leaders are growing increasingly concerned that if the administration and Congress fail to address looming blackouts and soaring gasoline prices Republicans will be punished at the polls in 2002.

“You start having brownouts and who knows what the ramifications will be,” said National Republican Congressional Committee Chairman Tom Davis (Va.). “We need to avert a crisis at all costs.”

In a closed-door meeting with GOP leaders and several committee chairmen last Thursday, staffers from Vice President Cheney's energy task force briefed Members and their staff on some of the details of the closely guarded report, which is expected to be released to the public May 17.

After the task-force briefing, several GOP aides said the Vice President's plan appears only to provide long-term national solutions and does nothing substantive to address summer blackouts and skyrocketing gasoline prices in different regions of the country in the short run.

"Members were saying that they've never heard their constituents this fired up - even during a major abortion debate," a GOP leadership aide relayed.

"This has the potential to be the prescription drug issue of 2002," added another leadership staffer. "It's the next big groundswell issue affecting politics in 2002."

Still, efforts to craft a bill designed to relieve some of the problems in California have been rocky at best.

Legislation by Rep. Joe Barton (R-Texas) would decrease some of the environmental controls placed on electricity companies. It mirrors Bush's plan by calling for conservation measures in federal facilities, but it would also make it easier for Western states to alter daylight-saving times in order to decrease energy consumption demands.

The bill steers clear of any price-control measures, an idea conservative Republicans and the White House view as anathema. But GOP leaders worry that the bill will not pass without Democrats adding a price-control amendment, an idea Democrats called for during last week's hearings. Rep. Ed Markey (D-Mass.) accused the White House of "aggressive indifference" on the issue and drove the point home by singing a rewrite of the Mamas and the Papas' hit "California Dreamin'."

"All the leaves are brown ... and the streets are black..."

According to a GOP aide familiar with discussions about the bill, Republicans are concerned that defeating a price-cap amendment could be a difficult task on the House floor if the vote is held just as temperatures are heating up across the country and voters turn their attention to the issue.

U.S. Scientists See Big Savings From Conservation

Scientists at the country's national laboratories have projected enormous energy savings if the government takes aggressive steps to encourage energy conservation in homes, factories, offices, appliances, cars and power plants.

Their studies, completed just before the Bush administration took office, are at odds with the administration's repeated assertions in recent weeks that the nation needs to build a big new power plant every week for the next 20 years to keep up with the demand for electricity, and that big increases in production of coal and natural gas are needed to fuel those plants.

A lengthy and detailed report based on three years of work by five national laboratories said that a government-led efficiency program emphasizing research and incentives to adopt new technologies could reduce the growth in electricity demand by 20 percent to 47 percent.

That would be the equivalent of between 265 and 610 big 300-megawatt power plants, a steep reduction from the 1,300 new plants that the administration predicts will be

needed. The range depends on how aggressively the government encourages efficiency in buildings, factories and appliances, as well as on the price of energy, which affects whether new technologies are economically attractive.

Blackouts

The dreaded summer of 2001 cast its shadow over California on Monday as an early spate of hot weather forced an hour of scattered, statewide electrical blackouts--a precursor of what could be a difficult season ahead. With more warm weather expected today and tomorrow, state power officials warned that more blackouts might be necessary before an expected cooling trend. And they acknowledged that this could be the start of a long, dark summer.

Davis enlists janitors in energy savings campaign

Gov. Gray Davis on Monday enlisted janitors in an energy saving campaign in which they will turn out lights and urge energy conservation in buildings they clean.

"Everyone must do their part so that we can get through this summer without major disruptions," the governor said at downtown news conference on the partnership between government, business and labor.

The janitors are part of a plan calling for cooperation from landlords, employers and workers to conserve power to protect the state from blackouts this summer.

Davis said the plan could achieve a 10 percent power savings in 2,500 buildings encompassing 300 million square feet of commercial space.

Janitors will be asked to help by cleaning one floor of a building at a time, turning off lights when they're done and leaving notes for workers who have left computers and other equipment on.

What Others Say

"Cheney's National Energy Policy Development Group (two Texas oilmen, a CEO from the electricity-gobbling aluminum industry and a tool of the energy companies, all members of the Cabinet, meeting in secret) is pushing coal - hard. Unfortunately, it is the dirtiest source of electricity generation; the administration not only has reneged on its promise to curb coal pollution, but now it proposes to ease the pollution controls already in place.

"Naturally, the group is also pushing oil and gas -- major contributors to global warming -- and, incredibly enough, de-emphasizing conservation. What kind of energy policy would abandon conservation, which is effective and costs nothing? OPEC is the only thing hurt by it. Under the Bush budget plan, renewable energy programs lose 36 percent of their piddly total funding of \$373 million, according to 'New Technology Week.'

"Wind-generated electricity is already cheaper than nuclear-generated electricity. It's highly probable that solar-powered photo-voltaic systems will also be cheaper before long; San Francisco votes this fall on whether to back a \$250 million bond issue for solar power. If we put \$60 billion into researching and improving renewables, we'd not only save money -- we could save the world. Quite literally."

—Molly Ivins